

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Coleman Area Library	County Midland
Fiscal Year End 12-31-06	Opinion Date 6.19.07	Date Audit Report Submitted to State 6.19.07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) WEINLANDER FITZHUGH	Telephone Number (989) 386-3481		
Street Address 601 BEECH STREET	City CLARE	State MI	Zip 48617
Authorizing CPA Signature <i>Shannon L Wilson CPA</i>	Printed Name SHANNON WILSON	License Number 1101027042	



# WEINLANDER FITZHUGH

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COLEMAN AREA LIBRARY  
COLEMAN, MICHIGAN

FINANCIAL STATEMENTS  
DECEMBER 31, 2006

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## Independent Auditors' Report

June 19, 2007

To the Board of Directors  
Coleman Area Library  
Coleman, Michigan

We have audited the accompanying financial statements of the governmental activities, and the major fund of Coleman Area Library as of and for the year ended December 31, 2006, which collectively comprise the Coleman Area Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Coleman Area Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Coleman Area Library as of December 31, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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## WEINLANDER FITZHUGH

Coleman Area Library  
Board of Directors  
June 19, 2007

The management's discussion, analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Weinlander Fitzhugh*

**COLEMAN AREA LIBRARY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2006**

Our discussion and analysis of the Coleman Area Library's (Library) financial performance provides an overview of the Library's financial activities for the fiscal year ended December 31, 2006.

**Financial Highlights**

The Library's net assets decreased by \$26,988 or 4%. Program revenues were \$5,786 or 5% of total revenues, and general revenues were \$109,919 or 95%.

**Using this Annual Financial Report**

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Coleman Area Library financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Library, presenting both an aggregate view of the Library's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Library's operations in more detail than the Government-wide financial statements. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Governmental-wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

**COLEMAN AREA LIBRARY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2006**

**Reporting the Library as a Whole**

*The Statement of Net Assets and Statement of Activities*

One of the most important questions asked about the Library's finances is, "Is the Library better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Library as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Library's net assets as a way to measure the Library's financial position. The change in net assets provides the reader a tool to assist in determining whether the Library's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as assessment base, and facility conditions in arriving at their conclusion regarding the overall health of Library.

**Reporting the Library's Most Significant Funds**

*Fund Financial Statements*

The Library's fund financial statements provide detail information about the most significant funds – not the Library as a whole. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The general fund used by the Library is a governmental fund.

*Governmental Funds*

The Library's activities are reported in the governmental fund, which focus on how money flows into and out of the general fund and the balances left at year-end available for spending in future periods. This fund is reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Library's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Library's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

**COLEMAN AREA LIBRARY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2006**

**Library-wide Financial Analysis**

The Statement of Net Assets provides the perspective of the Library as a whole. Exhibit A provides a summary of the Library's net assets as of December 31, 2006 and 2005:

<b>Exhibit A</b>	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 45,866	\$ 49,781
Prepaid expenses	6,046	5,902
Capital assets - net of accumulated depreciation	<u>622,959</u>	<u>645,574</u>
Total assets	<u>674,871</u>	<u>701,257</u>
<b>Liabilities</b>		
Current liabilities	<u>2,782</u>	<u>2,180</u>
<b>Net Assets</b>		
Invested in property and equipment - net of related debt	622,959	645,574
Unrestricted	<u>49,130</u>	<u>53,503</u>
Total net assets	<u><u>\$ 672,089</u></u>	<u><u>\$ 699,077</u></u>

This analysis focuses on net assets. The Library's net assets were \$672,089 at December 31, 2006. Capital assets totaling \$622,959 compares the original costs, less depreciation of the Library's capital assets.

The \$49,130 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.



**COLEMAN AREA LIBRARY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2006**

The results of this year's operations for the Library as a whole are reported in the statement of activities (Exhibit B), which shows the changes in net assets for the year ended December 31, 2006 and 2005.

<b>Exhibit B</b>	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
<b>Revenue</b>		
Program revenue:		
Contributions	\$ 1,745	\$ 3,000
Fees	1,215	920
Library fines	517	491
Copier fees	389	325
Rentals	1,920	2,299
General revenue:		
Taxes	86,035	83,062
State aid	3,425	4,142
Penal fines	19,726	19,586
Interest	448	491
Miscellaneous	285	106
	<u>115,705</u>	<u>114,422</u>
 Total revenue	 <u>115,705</u>	 <u>114,422</u>
 <b>Function/Program Expenses</b>		
Recreation and culture	142,693	136,697
	<u>142,693</u>	<u>136,697</u>
 <b>Change in Net Assets</b>	 <u><u>\$ (26,988)</u></u>	 <u><u>\$ (22,275)</u></u>

**COLEMAN AREA LIBRARY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2006**

As reported in the statement of activities, the cost of all of our *Governmental type* activities this year was \$142,693. Certain activities were funded from those who benefited from the programs. We paid for the remaining "public benefit" portion of our governmental activities interest and miscellaneous revenues.

The Library experienced a decrease in net assets of \$26,988. A key reason for the change in net assets was recognition of depreciation expense on capital assets. The decrease in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

**The Library's Fund**

The Library uses the general fund to help it control and manage money for particular purposes. Looking at this fund helps the reader consider whether the Library is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Library's overall financial health.

The Library's governmental fund reported a fund balance of \$49,130, which is below last year's total of \$53,503. The schedule below indicates the fund balance and the total change in fund balances as of December 31, 2006 and 2005.

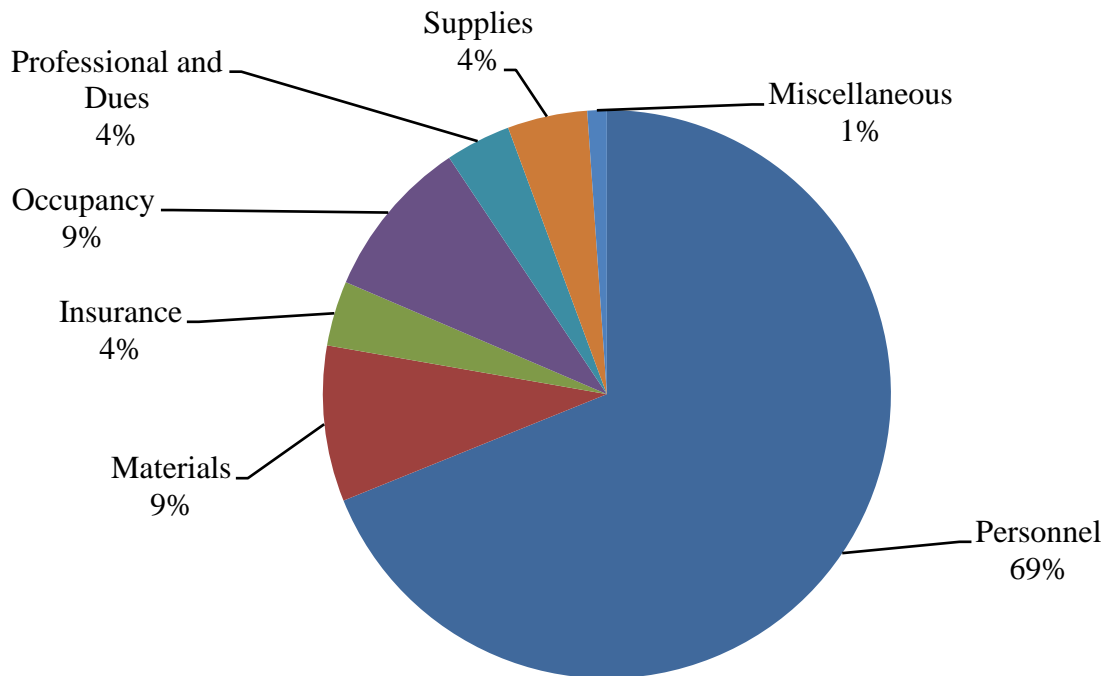
	<u>Fund Balance</u> <u>December 31, 2006</u>	<u>Fund Balance</u> <u>December 31, 2005</u>	<u>Decrease</u>
General	\$ 49,130	\$ 53,503	\$ (4,373)

- Our General Fund decreased \$4,373. The decrease is mainly due to the expenses associated with the automation process and increases in wages.

**COLEMAN AREA LIBRARY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2006**

As the graph below illustrates, 69% of the Library's General Fund resources are spent on personnel costs. Another 9% is spent on occupancy, which includes utilities, communications and repairs and maintenance, while 9% is materials expense. The remaining 13% is spent on other expenditures as shown below.

**Expenditures**



**COLEMAN AREA LIBRARY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2006**

The chart below compares current year expenditures with prior year.

	<u>2006</u>	<u>2005</u>
<i><u>Expenditures by Function</u></i>		
Current operations	\$120,078	\$ 111,558
Capital outlay	<u>0</u>	<u>28,993</u>
Total	<u><u>\$ 120,078</u></u>	<u><u>\$ 140,551</u></u>

Expenditures are down by \$20,473 from the prior year mostly due a decrease in capital outlay. The decrease in capital outlay was offset by an increase in personnel costs.

**General Fund Budgetary Highlights**

Over the course of the year, the Library revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Library's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Final budgeted revenues were \$2,325 over the original budget due to an increase in property taxes and contributions.
- Final budgeted expenses were \$3, 000 under the original budget due to a decrease in materials and other expenditures. These decreases were off set by increases in personnel costs.

The differences between the budget and the final actual amounts are as follows:

- Actual revenues were under the budgeted revenue by \$2,096. The difference is due an decrease in other revenues.
- Actual expenditures were under the budgeted expenditures by \$3,966. The difference is due to a decrease in other expenditures.

**Capital Assets**

At December 31, 2006, the Library had \$622,959 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. The Library made no changes to capital assets during the year.

**COLEMAN AREA LIBRARY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2006**

	<u>2006</u>	<u>2005</u>
Land	\$ 24,000	\$ 24,000
Buildings and improvements	624,941	624,941
Furniture and fixtures	49,716	49,716
Equipment	<u>5,324</u>	<u>5,324</u>
Total capital assets	703,981	703,981
Less accumulated depreciation	<u>81,022</u>	<u>58,407</u>
Net capital assets	<u><u>\$ 622,959</u></u>	<u><u>\$ 645,574</u></u>

We do not anticipate any significant additions to the capital assets in the upcoming year. We present more detailed information about our capital assets in the notes to the financial statements.

**Factors Expected to Have an Effect on Future Operations**

Revenue from assessments is expected to be comparable to the current year. There will need to be an adjustment in Library expenditures in response to any revenue shortfall.

**Requests For Information**

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the Coleman Area Library. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Coleman Area Library  
P.O. Box 515  
Coleman, MI 48618

COLEMAN AREA LIBRARY  
Statement of Net Assets  
December 31, 2006

	Governmental <u>Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$    45,866
Prepaid expenses	6,046
Capital assets - net of accumulated depreciation of \$81,022	<u>622,959</u>
Total Assets	<u>674,871</u>
<u>Liabilities</u>	
Accounts payable	609
Accrued payroll deductions and taxes	<u>2,173</u>
Total Liabilities	<u>2,782</u>
<u>Net Assets</u>	
Invested in capital assets	622,959
Unrestricted	<u>49,130</u>
Total Net Assets	<u><u>\$    672,089</u></u>

See accompanying notes to financial statements

COLEMAN AREA LIBRARY  
Statement of Activities  
For the Year Ended December 31, 2006

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Governmental</u>
	<u>Expenses</u>	<u>Charges for</u> <u>Services</u>	<u>Contributions</u>	<u>Activities</u> Net (Expense) Revenue and Changes in Net Assets
Primary Government -				
Governmental activities:				
Recreation and culture	<u>\$ 142,693</u>	<u>\$ 4,041</u>	<u>\$ 1,745</u>	<u>\$ (136,907)</u>
General revenues:				
Taxes				86,035
State aid				3,425
Penal fines				19,726
Interest				448
Miscellaneous				<u>285</u>
Total general revenues				<u>109,919</u>
Change in net assets				(26,988)
Net assets - beginning of year				<u>699,077</u>
Net assets - end of year				<u><u>\$ 672,089</u></u>

See accompanying notes to financial statements

COLEMAN AREA LIBRARY  
Governmental Fund  
Balance Sheet  
December 31, 2006

	<u>General Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 45,866
Prepaid expenditures	<u>6,046</u>
	<u>\$ 51,912</u>
 <u>Liabilities and Fund Balance</u>	
<u>Liabilities</u>	
Accounts payable	\$ 609
Accrued payroll deductions and taxes	<u>2,173</u>
Total liabilities	<u>2,782</u>
 <u>Fund Balance</u>	
Unreserved:	
Designated for building repairs	8,042
Designated for children's programming	1,500
Designated for equipment replacements	17,250
Designated for automation	7,843
Designated for computer replacement	3,166
Designated for microfilming	3,249
Designated for memorials	288
Designated for Friend of the Library	13
Undesignated	<u>7,779</u>
Total fund balances	<u>49,130</u>
Total Liabilities and Fund Balances	<u>\$ 51,912</u>

See accompanying notes to financial statements



COLEMAN AREA LIBRARY  
Reconciliation of Balance Sheet of Governmental Fund  
to the Statement of Net Assets  
December 31, 2006

Total fund balance - governmental fund	\$ 49,130
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	703,981
Accumulated depreciation	<u>(81,022)</u>
Total net assets - governmental activities	<u><u>\$ 672,089</u></u>

See accompanying notes to financial statements

COLEMAN AREA LIBRARY  
Governmental Fund  
Statement of Revenues, Expenditures and  
Change in Fund Balance  
For the Year Ended December 31, 2006

	General Fund
<u>Revenues</u>	
Taxes	\$ 86,035
State aid	3,425
Penal fines	19,726
Contributions	1,745
Fees	1,215
Library fines	517
Copier fees	389
Rentals	1,920
Interest	448
Miscellaneous	285
Total revenues	<u>115,705</u>
<u>Expenditures</u>	
Current operations	<u>120,078</u>
Net change in fund balance	(4,373)
Fund balance - beginning of year	<u>53,503</u>
Fund balance - end of year	<u><u>\$ 49,130</u></u>

See accompanying notes to financial statements

COLEMAN AREA LIBRARY  
Reconciliation of the Statement of Revenues, Expenditures,  
and Change in Fund Balance of Governmental Fund to the Statement of Activities  
For the Year Ended December 31, 2006

Net change in fund balance - total governmental fund	\$ (4,373)
Amounts reported for governmental funds in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	<u>(22,615)</u>
Change in net assets of governmental activities	<u><u>\$ (26,988)</u></u>

See accompanying notes to financial statements

**COLEMAN AREA LIBRARY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Coleman Area Library (Library) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by Coleman Area Library:

**Reporting Entity**

The Coleman Area Library was organized to provide library services to residents of the City of Coleman, Warren and Geneva Townships in Midland County. The accompanying financial statements present the financial position and results of operations for the Library.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenue.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

**COLEMAN AREA LIBRARY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Library reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Assets, Liabilities, and Net Assets or Equity**

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings and furniture and equipment are reported in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Building, furniture and fixtures, and equipment are being depreciated using the straight-line method over the following useful lives:

Buildings	40 Years
Furniture and fixtures	5 to 15 Years
Equipment	5 to 10 Years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**COLEMAN AREA LIBRARY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 – BUDGETS**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Coleman Area Library follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Library's director submits to the Board a proposed budget prior to January 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund is presented as Required Supplemental Information.

**COLEMAN AREA LIBRARY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2006**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Library's deposits are in accordance with statutory authority.

**Custodial Credit Risk- Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of December 31, 2006, none of the Library bank balance of \$45,936 was exposed to custodial credit risk.

The Library's investment policy does not identify interest rate risk, foreign currency risk or concentration credit risk.

The Library has no investments as of December 31, 2006.

**COLEMAN AREA LIBRARY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2006**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity of the Library for the current year was as follows:

	Balance January 1, 2006	Additions	Disposals and Adjustments	Balance December 31, 2006
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 24,000	\$ 0	\$ 0	\$ 24,000
Capital assets being depreciated:				
Buildings	624,941	0	0	624,941
Furniture and fixtures	49,716	0	0	49,716
Equipment	5,324	0	0	5,324
Subtotal	679,981	0	0	679,981
Less accumulated depreciation for:				
Buildings	46,870	15,624	0	62,494
Furniture and fixtures	5,113	577	0	5,690
Equipment	6,424	6,414	0	12,838
Subtotal	58,407	22,615	0	81,022
Net capital assets being depreciated	621,574	(22,615)	0	598,959
Governmental Activities, Total				
Capital Assets - Net of Depreciation	<u>\$ 645,574</u>	<u>\$ (22,615)</u>	<u>\$ 0</u>	<u>\$ 622,959</u>

Depreciation expense was charged to Library as follows:

Recreation and culture	\$ 22,615
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**COLEMAN AREA LIBRARY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2006**

**NOTE 5 – RISK MANAGEMENT**

The Coleman Area Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Coleman Area Library participates in the Michigan Municipal League risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Coleman Area Library.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Michigan Boards Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

**NOTE 6 – SIMPLE-IRA PLAN**

The Library has adopted a Simple-IRA Plan covering all eligible employees. Employees contribute to the plan and the Library matches up to 3% of employee contributions. The amount paid by the Library for 2006 was \$1,363.

COLEMAN AREA LIBRARY  
Required Supplemental Information  
Budgetary Comparison Schedule - General Fund  
For the Year Ended December 31, 2006

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 85,367	\$ 86,035	\$ 86,035	\$ 0
State aid	4,123	3,425	3,425	0
Penal fines	19,586	19,726	19,726	0
Contributions	0	1,500	1,745	245
Fees	900	1,215	1,215	0
	<u>109,976</u>	<u>111,901</u>	<u>112,146</u>	<u>245</u>
Library fines			517	
Copier fees			389	
Rentals			1,920	
Interest			448	
Miscellaneous			285	
	<u>5,500</u>	<u>5,900</u>	<u>3,559</u>	<u>(2,341)</u>
Total revenues	<u>115,476</u>	<u>117,801</u>	<u>115,705</u>	<u>(2,096)</u>
<u>Expenditures</u>				
Current				
Personnel:				
Salaries and wages	69,000	76,000	75,604	396
Payroll taxes	4,611	5,811	5,750	61
Retirement	1,300	1,520	1,363	157
	<u>74,911</u>	<u>83,331</u>	<u>82,717</u>	<u>614</u>
Materials:				
Books			6,421	
Periodicals and newspapers			1,666	
Audio and visual			2,557	
	<u>10,750</u>	<u>10,910</u>	<u>10,644</u>	<u>266</u>
Other:				
Utilities			6,348	
Insurance and bonds			4,445	
Operating supplies			3,580	
Professional and contractual			2,659	
Communications			2,487	
Repairs and maintenance			2,196	
Office supplies			1,880	

COLEMAN AREA LIBRARY  
Required Supplemental Information  
Budgetary Comparison Schedule - General Fund  
For the Year Ended December 31, 2006

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
White Pine co-op			\$ 1,730	
Printing			448	
Postage			419	
Miscellaneous			365	
Rentals			90	
Dues			70	
	<u>\$ 41,383</u>	<u>\$ 29,803</u>	<u>26,717</u>	<u>\$ 3,086</u>
Total expenditures	<u>127,044</u>	<u>124,044</u>	<u>120,078</u>	<u>3,966</u>
Net change in fund balance	(11,568)	(6,243)	(4,373)	1,870
Fund balance - beginning of year	<u>53,503</u>	<u>53,503</u>	<u>53,503</u>	<u>0</u>
Fund balance - end of year	<u>\$ 41,935</u>	<u>\$ 47,260</u>	<u>\$ 49,130</u>	<u>\$ 1,870</u>



# WEINLANDER FITZHUGH

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ROBERT J. DUYCK, CPA

June 19, 2007

Board of Directors  
Coleman Area Library  
Coleman, Michigan

In planning and performing our audit of the financial statements of Coleman Area Library (Library) as of and for the year ended December 31, 2006, in accordance with U.S. generally accepted auditing standards. We considered Coleman Area Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

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# WEINLANDER FITZHUGH

Board of Directors  
Coleman Area Library  
June 19, 2007

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. We consider the following significant deficiency to be a material weaknesses.

## Financial Reporting

As part of our consideration of the internal control over financial reporting, we as auditors are not allowed to be considered to be part of Coleman Area Library internal controls. In taking this required position, we must consider whether the Library has the ability, on its own, to monitor and report financial activity in accordance with our professional standards without auditor intervention.

It is not uncommon that small organizations cannot provide the resources to maintain the financial expertise on a full time basis. This is the situation with the Library. Due to the limited financial expertise of the staff, the Library does not have the ability to monitor and report financial activity without auditor intervention.

The above comments are not intended to reflect on the performance or capability of any employee.

This communication is intended solely for the information and use of the Board of Directors, management, others within the Library, federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Weinlander Fitzhugh*



# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

June 19, 2007

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Members of the Library Board  
Coleman Area Library  
Coleman, Michigan

This letter is intended to inform the Library Board about significant matters related to the conduct of the annual audit so it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Library Board.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

## **The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards**

Our audit of the financial statements of the Library for the year ended December 31, 2006 was conducted in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplished that objective.

## **Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

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# WEINLANDER FITZHUGH

Members of the Library Board  
Coleman Area Library  
June 19, 2007  
Page 2

## **Audit Adjustments**

There were audit adjustments made to the original trial balance presented to us to begin our audit. Of the adjustments that were recorded, adjustments to fund balance accounts and payroll liabilities, either individually or in the aggregate, have a significant effect on the Organization's financial reporting process.

## **Disagreements with Management**

We encountered no disagreements with management over the application of significant principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

## **Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

## **Major Issues Discussed with Management Prior to Retention**

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

## **Difficulties Encountered in Performing the Audit**

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

## **Closing**

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Library.

This report is intended solely for the information and use of the Members of the Library Board and management and is not intended to be, and should not be, used by anyone other than the specified parties.

*Weinlander Fitzhugh*